



The Honorable Roger Kahn
P.O. Box 30036
Lansing, MI 48909-7536

May 15, 2012

Re: Business Community Supports MPSERS Reform

Dear Senator Kahn:

The Kalamazoo Regional Chamber of Commerce urges your support for Senate Bill (SB) 1040 to reform the current Michigan Public School Employee Retirement System (MPSERS). *Education funding has remained a top priority for the business community and your support of this reform will go a long way to putting critical dollars back into the classroom.*

The current MPSERS program is siphoning funding out of the classroom. A study conducted in 2009 revealed MPSERS pension funds to be insolvent, a grave situation that already takes an unsustainable toll on school districts around the State. On average, Michigan school districts are set to pay the equivalent of 24.46% of their payroll toward MPSERS for the 2011-2012 fiscal year. This figure is projected to increase to 27.73% of the districts' payroll for the 2012-2013 fiscal year. *On the whole, this represents 15 percent of the operating budget for local schools with no authority of the administration or teachers to change the allocation structure.*

While school districts are scrambling to keep their employee's pension benefits intact, current teachers and students are losing out.

Further, almost every community college must return at least half of the appropriations they were given by the State. Lake Michigan Community College is required to give back as much as 60 percent of its appropriation just to cover MPSERS cost. This figure is as much as 55 percent for Kalamazoo Valley Community College. With tuition on the rise, something must be done to contain retirement and healthcare costs. SB 1040 offers flexibility in retirement options while providing a stabilized 80/20 healthcare contribution plan.

SB 1040 will open an important chapter in the program's history by starting a process that will eventually restore MPSERS to solvency and stability. If passed, the bill is designed to offer public school employees the option to pick a responsible retirement plan according to their preference. *The Chamber is particularly supportive of the defined contribution option which would freeze existing pension benefits and convert them to a 401k plan.*

On behalf of the Kalamazoo Regional Chamber of Commerce Board of Directors and our members, please vote YES to address this pressing issue. Your vote in support of this critical reform will put more dollars in the classroom supporting students and families in Southwest Michigan. Your support will help to control spending and lay the groundwork for a financially stable tomorrow.

Thank you for your consideration and I look forward to working with you on this and other issues important to Southwest Michigan. Should you have any questions, feel free to contact our Director of Advocacy, Ryan Simpson at (269) 381-2977, ext. 3239 or rsimpson@kazoochamber.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Steward Sandstrom".

Steward Sandstrom, CCE
President and CEO